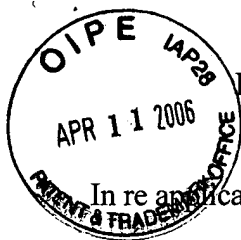


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AF/3628/10



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

In re application of: Douglas R. Elliott

Serial Number: 09/481,126

Filed: January 11, 2000

For: METHOD FOR OBTAINING AND  
ALLOCATING INVESTMENT INCOME  
BASED ON THE CAPITALIZATION OF  
INTELLECTUAL PROPERTY

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Group Art Unit: 3628

Examiner: Harish Dass

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on:	April 6, 2006
	Jackie Olshack
	Jackie Olshack

**APPEAL BRIEF UNDER 37 CFR §1.192**

Dear Sir:

This Appeal Brief is submitted for the above-referenced matter and in response to the Pre-Appeal Conference Results mailed on February 6, 2006.

04/11/2006 HDESTA1 00000060 09481126

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02 FC:2251

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ATTORNEY DOCKET NO.  
TEQ 01117 PTUS

PATENT APPLICATION  
SERIAL NO. 09/481,126

**Real Party in Interest**  
**37 C.F.R. § 41.37 (c)(1)(i)**

The real party in interest in this application is the Assignee of inventor Douglas R. Elliott, TEQ Development, as reflected by the assignment records at Reel 010818 and Frame 0583.

ATTORNEY DOCKET NO.  
TEQ 01117 PTUS

PATENT APPLICATION  
SERIAL NO. 09/481,126

**Related Appeals and Interferences**  
**37 C.F.R. § 47.37(c)(1)(ii)**

An appeal brief for co-pending U.S. Patent Application Serial No. 10/224,219 is currently pending before the Board of Patent Appeals and Interferences.

**Status of the Claims**  
**37 C.F.R. § 47.37(c)(1)(iii)**

Claims 1-6 stand finally rejected as noted in the Final Office Action ("Final Action") mailed October 12, 2005. Specifically, Claims 1-6 stand rejected under 35 U.S.C. §103(a) in view of U.S. Patent No. 5,126,936 to Champion ("Champion"), "The Valuation of Health Care Intangible Assets" by Reilly ("Reilly"), U.S. Patent No. 6,018,714 to Risen ("Risen"), and "From Patent To Profit: Secrets & Strategies for the Successful Inventor" to Bob DeMatteis © 1998 ("DeMatteis").

**Status of Amendments**  
**37 C.F.R. § 47.37(c)(1)(iv)**

A Response to the Final Action was mailed on October 12, 2005. However, no substantive amendments have been filed or entered since the Final Action mailed on October 12, 2005.

**Summary of the Claimed Subject Matter**  
**37 C.F.R. § 47.37(c)(1)(v)**

The present invention relates to methods of valuing intellectual property assets and methods of securitizing such assets so that holders or owners of proprietary intellectual property may readily determine the business value associated with the securitization of their intellectual property estate and obtain capital by securitizing all or part of their intellectual property estate. Specifically, the present invention according to either of Claims 1, 2, or 3 provides an electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts. To perform this, investor accounts are identified, and an initial sum from each of the investors is transferred to an investment entity. Upon identifying a patent or portfolio of patents, an algorithm for assessing a value of the patents in the portfolio is employed. Title to the patent(s) in the portfolio is passed to the investment entity from the patent owner in exchange for payment from the investment entity to the patent owner. After transfer of title, patent right(s) are granted back to the original patent owner, so that the original owner may have continued use of, and/or so that third parties may be licensed to use, the patented technology. From there, payments can be secured from users (including the patent owner) and transferred to the investors. Thus, patent owners are able to securitize existing patent portfolios.

Claims 1-3 are independent claims relating to an electronic data processing system for use by an investment entity for allocating payments to each respective investor account. Claims 4-6 depend from and further limit independent Claims 1-3.

A further explanation of the subject matter defined in each of the independent claims pending in the appeal, referring to the specification, is as follows:

**Claim**

**Patent Specification**

1. An electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts comprising:

defining a plurality of investor accounts in at least one electronic database;

transferring an initial monetary amount from each of a plurality of investors to said investment entity;

associating said initial amount from each of said plurality of investors with a respective one of said plurality of investor accounts in the at least one electronic database;

identifying the initial ownership of a patent in the at least one electronic database;

using at least one algorithm for assessing a value of the patent, and entering the assessed value of the patent in the at least one electronic database;

paying a monetary amount from said investment entity to said initial ownership of said patent upon transfer of title to a subsequent owner other than the original initial owner;

granting at least one right under the patent to said initial owner of said patent;

obtaining at least one payment from an initial user of said patent; and

allocating said at least one payment from said initial user to each respective one of said plurality of investor accounts in the at least one electronic database.

2. An electronic data processing method for use by an investment entity for allocating

Pg. 5, line 30-pg. 6, line 2;  
Pg. 5, line 8

Pg. 4, line 30-Pg. 5, line 6

Pg. 4, line 30-Pg. 5, line 6

Pg. 4, lines 20-27

Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C



**Claim**

revenue to each respective one of a plurality of investor accounts comprising:

identify a patent covering an invention in use by at least an initial user;

identifying an initial ownership of the patent;

Using at least one algorithm for assessing a value of the patent based, at least in part, on anticipated future use of the patent by the initial user and entering the assessed value of the patent in at least one electronic database;

Using at least one algorithm for determining a cash flow stream containing at least one payment related to the assessed value of the patent;

paying, in at least one payment to said initial ownership, an amount related to the assessed value of the patent in the electronic database in exchange for transfer of title to said patent to a subsequent owner other than the initial ownership;

obtaining the amount paid for transfer of title from a plurality of investor accounts;

associating with each respective one of said plurality of investor accounts in the at least one electronic database the proportion of the amount paid to the initial owner that came from each respective one of said plurality of investor accounts;

granting a license to said initial user for the use of said patent from said subsequent owner in exchange for an agreement by said initial user to make at least one payment to the investment entity related to the assessed value of the patent at a specified time after the payment is made to transfer title;

collecting at least one payment from said initial user said payment being entered into the at least one electronic database; and

Using at least one algorithm for

**Patent Specification**

Pg. 5, line 30-pg. 6, line 2;

Pg. 5, line 8

Pg. 4, lines 20-27

Pg. 6, lines 4-21; Pg. 7, line

26-pg. 8, line 24; Fig. B

Pg. 6, lines 4-21; Pg. 7, line

26-pg. 8, line 24; Fig. B

Pg. 4, lines 20-27; Fig. C

Pg. 4, line 30-Pg. 5, line 6

Pg. 4, line 30-Pg. 5, line 6

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 6, lines 4-21; Pg. 7, line

**Claim**

allocating to each respective one of said plurality of investor accounts in the at least one electronic database a portion of said at least one payment from said initial user related to the proportion of the payment to the initial ownership from each respective one of said plurality of investor accounts.

3. An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

identifying a patent;

identifying an original ownership of the patent;

using at least one algorithm for assessing a value of the patent and entering the assessed value of the patent in at least one electronic database;

using at least one algorithm for determining a future cash flow stream related to the assessed value of the patent before the time title to the patent is acquired from the original ownership;

obtaining title to the patent for a subsequent owner in exchange for paying not more than the assessed value of the patent to the original ownership;

allocating said payment to the original ownership to a plurality of investor accounts in the at least one electronic database;

associating with each account in the at least one electronic database the percentage of the payment allocated to the original ownership from that account;

granting a license to at least the original ownership to use the patent in exchange for an agreement to pay the future cash flow stream related to the assessed value of the patent

**Patent Specification**

26-pg. 8, line 24; Fig. B

Pg. 4, lines 20-27

Pg. 4, lines 20-27

Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B

Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 4, line 30-Pg. 5, line 6;  
Pg. 4, lines 20-27; Fig. C;  
Fig. B

Pg. 4, lines 20-27; Fig. C

**Claim**

collecting at least one payment from at least said original ownership related to said future cash flow stream;

allocating said at least one payment from at least said original ownership to each respective one of said investor accounts in the at least one electronic database in relation to the percentage of payment allocated to the original ownership from that account.

**Patent Specification**

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

**Grounds of Rejection to be Reviewed on Appeal**  
**37 C.F.R. § 47.37(c)(1)(vi)**

The issue presented on appeal is whether Champion, Risen, Reilly, and DeMatteis render any of claims 1-6 obvious under 35 U.S.C. §103(a). In particular, the subsidiary issues include whether the Examiner's motivation to combine is proper without supporting evidence and whether the Examiner utilized impermissible hindsight.

Arguments  
37 C.F.R. § 47.37(c)(1)(vii)

1. *PRIMA FACIE* CASE GENERALLY

During patent examination, the PTO bears the initial burden of presenting a *prima facie* case of unpatentability.<sup>1</sup> If the PTO fails to meet this burden, then the Applicant is entitled to the patent. However, when a *prima facie* case is made, the burden shifts to the Applicant to come forward with evidence and/or argument supporting patentability. Patentability, *vel non*, is then determined on the entirety of the record, by a preponderance of evidence and weight of argument.<sup>2</sup> The *prima facie* case is not a stone wall against which rebuttal evidence is tested; patentability is determined by a preponderance of all the evidence.<sup>3</sup>

2. *PRIMA FACIE* CASE OF OBVIOUSNESS

In order to present a *prima facie* case of obviousness, several criteria must be met: (1) “all the claim limitations must be taught or suggested by the prior art;”<sup>4</sup> (2) there must be a motivation to combine the references; and (3) there must be a reasonable expectation of success.<sup>5</sup>

According to *Graham v. John Deere*,<sup>6</sup> there are four factors associated with the determination of obviousness under 35 U.S.C. §103(a), which are as follows: (1) the scope and contents of the prior art; (2) the differences between the prior art and the claimed invention; (3) the level of ordinary skill in the art; and (4) evidence of secondary considerations.

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<sup>1</sup> *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992); *In re Piasecki*, 745 F.2d 1468, 1472 (Fed. Cir. 1984).

<sup>2</sup> *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992)

<sup>3</sup> *In re Rinehart*, 531 F.2d 1048, 1052 (CCPA 1976).

<sup>4</sup> M.P.E.P. § 2143.03; *In re Royka*, 490 F.2d 981, 180 USPQ 580 (CCPA 1974).

<sup>5</sup> M.P.E.P. § 2143

<sup>6</sup> *Graham v. John Deere*, 383 U.S. 1, 148 USPQ 459 (1966),

2.1. Scope and Content of the Prior Art and Differences Between the Prior Art and the Claimed Invention

2.1.1. Risen

2.1.1.1. Examiner's Contention

The following text denotes the limitations that the Examiner has alleged are disclosed by Risen:

Claim 1

An electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts comprising:

- ...
- (f) paying a monetary amount from said investment entity to said initial ownership of said patent upon transfer of title to a subsequent owner other than the original initial owner;
  - ...
  - (h) obtaining at least one payment from an initial user of said patent; and
  - ...

Claim 2

An electronic data processing method for use by an investment entity for allocating revenue to each respective one of a plurality of investor accounts comprising:

- (a) identify a patent covering an invention in use by at least an initial user;
- (b) identifying an initial ownership of the patent;
- ...
- (e) paying, in at least one payment to said initial ownership, an amount related to the assessed value of the patent in the electronic database in exchange for transfer of title to said patent to a subsequent owner other than the initial ownership;
- (f) obtaining the amount paid for transfer of title from a plurality of investor accounts;
- ...
- (i) collecting at least one payment from said initial user said payment being entered into the at least one electronic database; and
- ...

Claim 3

An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

- (a) identifying a patent;
- (b) identifying an original ownership of the patent;
- ...

2.1.1.2. Applicant's Contention

Risen discloses a purchase transaction between two parties with the addition of the purchasing party acquiring insurance. Specifically, Risen is an invention for providing insurance against an unexpected change in value of a patent. Risen talks about valuing intellectual property, but states that assigning a monetary value to a patent can be difficult (col. 11, lns. 11-13), and proposes an alternative method of using arbitrary valuation (col. 11, lns. 24-27). Indeed, Risen implies that such a value is difficult to determine, and should be done by an expert. It is because of the difficulty of determining an accurate value for intellectual property that Risen provides insurance against a change in predicted value of the intellectual property. In particular, Risen is for use in situations where a company is acquiring another company, or investing money in another company, and the acquiring/investing company wants insurance to protect against valuation errors made when the value of what is being acquired or invested in turns out to be less than the value paid.

2.1.1.3. Differences Between Risen and the Claimed Invention

Nothing in Risen's disclosed insurance scheme suggests or implies the buyer of a patent granting a right to use the patent back to the seller of the patent in exchange for a future monetary stream as in the claims of the present application. In fact, Risen actually teaches away from the invention of the present application by compensating for inaccurate valuation methods by providing insurance to protect against errors in predicting the value of a patent using those inaccurate valuation methods.

2.1.2. Champion

2.1.2.1. Examiner's Contention

The following text denotes the limitations that the Examiner has alleged are disclosed by Champion:

Claim 1

An electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts comprising:

- (a) defining a plurality of investor accounts in at least one electronic database;
- (b) transferring an initial monetary amount from each of a plurality of investors to said investment entity;
- (c) associating said initial amount from each of said plurality of investors with a respective one of said plurality of investor accounts in the at least one electronic database;
- (d) identifying the initial ownership of a patent in the at least one electronic database;
- (e) using at least one algorithm for assessing a value of the fund, and entering the assessed value of the fund in the at least one electronic database;<sup>7</sup>

...

- (i) allocating said at least one payment from said initial user to each respective one of said plurality of investor accounts in the at least one electronic database.

Claim 2

An electronic data processing method for use by an investment entity for allocating revenue to each respective one of a plurality of investor accounts comprising:

...

- (g) associating with each respective one of said plurality of investor accounts in the at least one electronic database the proportion of the amount paid to the initial owner that came from each respective one of said plurality of investor accounts;

...

- (j) using at least one algorithm for allocating to each respective one of said plurality of investor accounts in the at least one electronic database a portion of said at least one payment from said initial user related to the proportion of the payment to the initial ownership from each respective one of said plurality of investor accounts.

Claim 3

An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

...

- (c) using at least one algorithm for assessing a value of the patent and entering the assessed value of the patent in at least one electronic database;

...

---

<sup>7</sup> See Final Action, page 3 (emphasis added.)



- <e1> allocating said payment to the original ownership to a plurality of investor accounts in the at least one electronic database;
- <e2> associating with each account in the at least one electronic database the percentage of the payment allocated to the original ownership from that account;
- ...
- (h) allocating said at least one payment from at least said original ownership to each respective one of said investor accounts in the at least one electronic database in relation to the percentage of payment allocated to the original ownership from that account.

2.1.2.2. Applicant's Contention

In Champion, third parties (investors) invest their money in products owned by various other third parties, such as mutual funds. Specifically, Champion only addresses a system used by an account management service to manage investor funds.

2.1.2.3. Differences Between Champion and the Claimed Invention

Unlike Champion, which only addresses a system used by an account management service to manage funds invested in products owned by third parties, the present invention addresses a management system used by an investment entity for managing an intellectual property portfolio to generate an income stream. The claimed management system is a much more complicated system of a very different character than the comparatively easily valued mutual funds disclosed in Champion.

2.1.3. Reilly

2.1.3.1. Examiner's Contention

The following text denotes the limitations that the Examiner has alleged are disclosed by Reilly:

Claim 1

“Reilly discloses assessing the value of the patent [pages 55-64] to appraise value of intangible assets for remaining useful life of intellectual property.”<sup>8</sup>

Claim 2

An electronic data processing method for use by an investment entity for allocating revenue to each respective one of a plurality of investor accounts comprising:

...

- (c) using at least one algorithm for assessing a value of the patent based, at least in part, on anticipated future use of the patent by the initial user and entering the assessed value of the patent in at least one electronic database;
- (d) using at least one algorithm for determining a cash flow stream containing at least one payment related to the assessed value of the patent;

...

Claim 3

An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

...

- (d) using at least one algorithm for determining a future cash flow stream related to the assessed value of the patent before the time title to the patent is acquired from the original ownership;

...

- (g) collecting at least one payment from at least said original ownership related to said future cash flow stream; and

...

2.1.3.2. Applicant's Contention

Reilly discusses using three known valuation methods (market approach, income approach and cost approach) to determine the value of a medical practice prior to selling that practice to another party. Additionally, Reilly involves making an accurate determination of the value of a medical practice, including such intangible assets as patient relationships, relationships with insurers and referrals.

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<sup>8</sup> Final Action, page 4

2.1.3.3. Differences Between Reilly and the Claimed  
Invention

The valuation described in Reilly is for a buyer looking to acquire a medical practice of a seller. Nowhere in Reilly is any mention made of patents forming a portion of health care intangible assets. Additionally, nothing in Reilly implies or suggests acquiring title to intellectual property using money obtained from third parties, licensing the intellectual property, receiving a revenue stream from the licensing of the intellectual property and allocating the revenue stream to third parties in a proportion related to the initial investment of the third parties as claimed in the present application.

2.1.4. DeMatteis

2.1.4.1. Examiner's Contention

The following text denotes the limitations that the Examiner has alleged are disclosed by DeMatteis:

Claim 1

An electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts comprising:

...

(g) granting at least one right under the patent to said initial owner of said patent;

...

Claim 2

An electronic data processing method for use by an investment entity for allocating revenue to each respective one of a plurality of investor accounts comprising:

...

(h) granting a license to said initial user for the use of said patent from said subsequent owner in exchange for an agreement by said initial user to make at least one payment to the investment entity related to the assessed value of the patent at a specified time after the payment is made to transfer title;

...

Claim 3

An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

...

- (e) obtaining title to the patent for a subsequent owner in exchange for paying not more than the assessed value of the patent to the original ownership;
- ...
- (f) granting a license to at least the original ownership to use the patent in exchange for an agreement to pay the future cash flow stream related to the assessed value of the patent;
- ...

2.1.4.2. Applicant's Contention

DeMatteis describes licensing generally. Specifically, it discloses types of licenses, such as a license to use, and exclusivity/non-exclusivity. DeMatteis also describes different two-party license arrangements, negotiating tactics, and even includes simple license agreements.

2.1.4.3. Differences Between DeMatteis and the Claimed Invention

Nothing in DeMatteis describes the use of an electronic data processing system utilized to derive an income stream by securitizing a patent estate. Licenses, like those described in DeMatteis, are well-known and have been well-known for decades. However, the use of licenses in combination with a data processing system to manage and derive income had not been done at the time of the present inventions of Claims 1-3.

2.2. Level of Ordinary Skill in the Art

The level of ordinary skill in the art is specifically related to managing an intellectual property portfolio. Applicant believes that one of ordinary skill in the art would consist of one who possesses a bachelor's degree in accounting with average experience in evaluation of intellectual property, namely patents. However, according to the Examiner's analysis and as evidenced by the references cited, one of ordinary skill in the art of the present invention would be an artisan with an extraordinarily high degree of knowledge in very disparate arts. According to the Examiner, one

skilled in the art would be familiar with and look to the following disparate and diverse areas for guidance:

- (a) Small Professional Business Accounting, namely Medical Practice Valuation (Reilly)
- (b) Risk Management and Underwriting, namely Patent Insurance (Risen)
- (c) Investment and Brokerage Services, namely Mutual Fund Management (Champion)

The Examiner's view of ordinary skill in the art of the present invention is too broad. However, even assuming, *arguendo*, that one skilled in the art would be familiar with and would refer to publications in each of these areas, there simply is no teaching or suggestion in these references to combine them. There is no suggestion of record as to "how" or "why" one of ordinary skill would combine these disparate teachings to obtain the Applicant's invention.

In fact, none of these references sufficiently addresses or appreciates the difficulty in addressing the problem which the present inventions of Claims 1-3 solve, namely, managing a scheme that derives an income stream from a patent estate. Thus, the present invention would not have been ascertainable by one of ordinary skill in the art at the time of the invention without examining Applicant's disclosure.

3. DEFECTS IN THE *PRIMA FACIE* CASE OF OBVIOUSNESS

3.1. Motivation to Combine/Hindsight

3.1.1. Legal Framework

Whether an invention satisfies the nonobviousness requirement under 35 U.S.C. §103 is a question of law with subsidiary factual inquiries.<sup>9</sup> These inquiries include the scope and content of the prior art, the differences between the prior art and the claims at issue, the level of ordinary skill

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<sup>9</sup> See *Graham v. John Deere Co.*, 383 U.S. 1, 17, (1966).

in the pertinent art, and any objective indicia of nonobviousness.<sup>10</sup> A claimed invention is unpatentable if the differences between it and the prior art “are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art.”<sup>11</sup> However, to be obvious, a motivation to combine or modify must be supplied<sup>12</sup>, and the Federal Circuit has described “teaching or suggestion or motivation [to combine]” as an “essential evidentiary component of an obviousness holding.”<sup>13</sup> However, it is improper to use hindsight when determining whether the claimed invention would have been obvious at the time of the invention.

3.1.1.1 Motivation to Combine Generally

As part of the Examiner’s burden to establish a *prima facie* case of obviousness, the Examiner must show that there is a clear and particular suggestion, teaching, or motivation to combine the cited references.<sup>14</sup> To make this showing, however, substantial evidence is required because a finding of fact, including a motivation to combine, requires substantial evidence.<sup>15</sup> In fact, evidence establishing the motivation to combine must be determined from one or more of the following sources: “the nature of the problem to be solved, the teachings of the prior art, and the knowledge of persons of ordinary skill in the art.”<sup>16</sup> Moreover, “[t]he mere fact that references can be combined or modified does not render the resultant combination obvious unless the prior art also suggests the desirability of the combination.”<sup>17</sup>

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<sup>10</sup> *Id.*

<sup>11</sup> 35 U.S.C. § 103(a) (2003); *see Graham v. John Deere Co.*, 383 U.S. 1, 14.

<sup>12</sup> M.P.E.P. § 2143; *see, e.g., C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1352 (Fed. Cir. 1998).

<sup>13</sup> *C.R. Bard*, 157 F.3d at 1352 (Fed. Cir. 1998)

<sup>14</sup> M.P.E.P. § 2143; *see, e.g., C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1352 (Fed. Cir. 1998).

<sup>15</sup> *In re Kahn*, 2006 U.S. App. LEXIS 7070 (Fed. Cir. 2006) (“the Board’s underlying factual findings, including a finding of a motivation to combine, [are based on] substantial evidence.”).

3.1.1.2 Impermissible Hindsight Generally

The relevant time frame for an obviousness evaluation under 35 U.S.C. §103 is “at the time the invention was made.” This time frame guards against entry into the “tempting but forbidden zone of hindsight” in evaluating the obviousness of a claimed invention.<sup>18</sup> Measuring a claimed invention against the standard established by 35 U.S.C. § 103 requires the oft-difficult but critical step of casting the mind back to the time of invention, to consider the thinking of one of ordinary skill in the art, guided only by the prior art references and the then-accepted wisdom in the field.<sup>19</sup>

Federal Circuit case law makes clear that the best defense against the subtle but powerful attraction of a hindsight-based obviousness analysis is rigorous application of the requirement for a showing of the teaching or motivation to combine prior art references.<sup>20</sup> Combining or modifying prior art references without evidence of such a suggestion, teaching, or motivation simply takes the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability--the essence of hindsight.<sup>21</sup> The showing of a suggestion, teaching, or motivation must be also clear and particular.<sup>22</sup>

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<sup>16</sup> M.P.E.P. § 2143.01; *In re Rouffet*, 149 F.3d 1350, 1357, 47 USPQ2d 1453, 1457-58 (Fed. Cir. 1998).

<sup>17</sup> M.P.E.P. §2143.01 (emphasis added); *see also In re Mills*, 916 F.2d 680, 16 USPQ2d 1430 (Fed. Cir. 1990).

<sup>18</sup> *See Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 873, rev'd by *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

<sup>19</sup> *See, e.g., W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983).

<sup>20</sup> *See, e.g., In re Rouffet*, 149 F.3d 1350, 1359 (Fed. Cir. 1998) (“the Board must identify specifically . . . the reasons one of ordinary skill in the art would have been motivated to select the references and combine them”); *In re Fritch*, 972 F.2d 1260, 1265 (Fed. Cir. 1992) (examiner can satisfy burden of obviousness in light of combination “only by showing some objective teaching [leading to the combination]”); *In re Fine*, 837 F.2d 1071, 1075, 5 USPQ2d 1596, 1600 (Fed. Cir. 1988) (evidence of teaching or suggestion “essential” to avoid hindsight); *see also Graham*, 383 U.S. 1, 18 (“strict observance” of factual predicates to obviousness conclusion required).

<sup>21</sup> *See, e.g., Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1138 (Fed. Cir. 1985) (“The invention must be viewed not with the blueprint drawn by the inventor, but in the state of the art that existed at the time.”).

<sup>22</sup> *See, e.g., C.R. Bard*, 157 F.3d 1340, 1352.

3.2 *The Examiner Has Not Shown a Proper Motivation to Combine*

Specifically, the motivation to combine must be determined from one or more of the following sources: “the nature of the problem to be solved, the teachings of the prior art, and the knowledge of persons of ordinary skill in the art.”<sup>23</sup> However, neither the nature of the problem to be solved nor the teachings of the prior art provide a motivation to combine the foregoing references. Therefore, it appears that the Examiner (who is assuming the role of one of ordinary skill in the art) is supplying the motivation to combine these very different references to obtain Applicant’s claimed invention(s) and is relying on his own personal knowledge.

First, with respect to the teachings of the prior art, none of Champion, Risen, Reilly, or DeMatteis suggests, teaches, or discloses the desirability of the combination, as noted above in Section 2. With respect to Claim 1, the Examiner states the following<sup>24</sup>:

**It would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Champion, and include evaluation and transfer of ownership of financial asset (such as intellectual property) to new owner, transaction payments, assessing the value of the patent, granting at least one right under the patent to said initial owner of said patent and, as are disclosed by Risen, Reilly and DeMatteis, to appraise the value of the patent for appropriated and reasonable compensation (payment) to purchase the intellectual property, transfer of title of ownership to clear the legal aspect of the deal and issue a license to individual or entity to market the product for future income.**

With respect to Claim 2, the Examiner states the following<sup>25</sup>:

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<sup>23</sup> M.P.E.P § 2143.01; *In re Rouffet*, 149 F.3d 1350, 1357, 47 USPQ2d 1453, 1457-58 (Fed. Cir. 1998).

<sup>24</sup> Final Action, pg. 4-5

<sup>25</sup> Final Action, pg. 8



It would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Champion, and include the above features (features not disclosed by Champion), as are disclosed by Risen, Reilly and DeMatteis, locate an intellectual property for sale and make appropriate acquisition arrangement (evaluate the property(ies) (intangible assets), search title of ownership (individually owner, co-assignee, assigned to a corporation), make payments to buyer, transfer the title similar to purchasing a property) and license the manufacturing, marketing, etc based on the buyer's business model for example, Oracle's purchase of People Software including portfolio of patents, allows the Oracle to keep some of the IP for itself, some to license and may some to sell to others depending on Oracles business choice and future income.

With respect to Claim 3, the Examiner states the following<sup>26</sup>:

It would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Champion, and include evaluation and transfer of ownership of financial asset (such as intellectual property) to new owner and payments and accounting procedure for portfolios (fund), as are disclosed by Risen, Reilly and DeMatteis, locate an intellectual property for sale and make appropriate acquisition arrangement (evaluate the property(ies) (intangible assets), search title of ownership (individually owner, co-assignee, assigned to a corporation), make payments to buyer, transfer the title similar to purchasing a property) and license the manufacturing, marketing, etc based on the buyer's business model.

Again, none of foregoing references suggests, teaches, or discloses this motivation to combine, which is evidenced by the Examiner's statements.

Second, the nature of the problem to be solved does not inherently yield any motivation to combine the foregoing references. The present inventions of Claims 1-3 ultimately derive

income from existing intellectual property, namely patents. No such system existed at the time of the present invention; otherwise, the Examiner would have cited a more closely related reference in his very extensive searching instead of combining references from very disparate arts. Thus, it is very clear that no such system similar to or approximating the present inventions of Claims 1, 2, or 3 existed at the time of the invention, indicating that the nature of the problem to be solved did not inherently yield a motivation to combine the foregoing references.

Finally, the only source for a motivation to combine the foregoing references would be one of ordinary skill in the art. However, the record does not indicate any factual substantiation by one of ordinary skill in the art of a motivation to combine the foregoing references. Therefore, it appears that the Examiner (who is assuming the role of one of ordinary skill in the art) is supplying the motivation to combine these very different references to obtain Applicant's claimed invention(s) and is relying on his own personal knowledge.

3.2.1 Examiner used Official Notice to Set Forth the Motivation to Combine

As stated above, because neither the references nor the nature of the problem to be solved inherently yield the motivation to combine, it appears that the Examiner is relying on his own personal knowledge to supply the motivation to combine. In the context of Official Notice, "[i]f the examiner is relying on personal knowledge to support the finding of what is known in the art, the examiner must provide an affidavit or declaration setting forth specific factual statements and explanation to support the finding. See 37 CFR 1.104(d)(2)."<sup>27</sup> Therefore, the Examiner's

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<sup>26</sup> Final Action, pg. 10

<sup>27</sup> M.P.E.P. § 2144.03(C).

speculative motivation to combine cannot be used to supply what is missing from the references without a supporting affidavit or declaration.

3.2.2 *An Affidavit or Declaration is Necessary to Build a Record*

A supporting affidavit or a reference is necessary because the U.S. Patent and Trademark Office is required to build a record in support of factual positions. The standard of review for the Board of Patent Appeals and Interferences of Examiner decisions is substantial evidence that “involve[s] an examination of the record as a whole taking into consideration evidence that both justifies and detracts from the agency’s decision.”<sup>28</sup> Also, “[w]ith respect to core factual findings...the Board cannot simply reach conclusions based on understanding or experience... Rather, the Board must point to some concrete evidence in the record in support of these findings.”<sup>29</sup> In fact, the Federal Circuit has described “teaching or suggestion or motivation [to combine]” as an “essential evidentiary component of an obviousness holding,”<sup>30</sup> which requires substantial evidence.<sup>31</sup> Hence, Applicant respectfully asserts that motivation to combine references is a “core factual finding,” and therefore, without a supporting affidavit/declaration or a reference to provide a factual basis for the record, the rejections of Claims 1-3 under 35 U.S.C. §103(a) in view of the foregoing references cannot stand.

Applicant has requested that the Examiner supply an affidavit, or declaration, setting forth factual statements and an explanation to his finding of the motivation to combine or, alternatively, to provide a reference. However, the Examiner has failed to do so. Applicant, therefore, believes that this failure to supply a supporting affidavit/declaration or a reference

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<sup>28</sup> *In re Gartside*, 293 F.3d 1305, 53 USPQ2d 1796 (Fed. Cir. 2000).

<sup>29</sup> *In re Zurko*, 258 F.3d 1379, 1386 (Fed. Cir. 2001).

<sup>30</sup> *C.R. Bard*, 157 F.3d at 1352 (Fed. Cir. 1998)

constitutes an inadequate record, and thus, the Examiner has not established a *prima facie* case of obviousness. Accordingly, Applicant requests that the Examiner's rejections of Claims 1-3 under 35 U.S.C. §103(a) in view of the foregoing references be reversed because of a lack of proper motivation to combine.

3.3. *The Examiner is Utilizing Impermissible Hindsight*

As noted above in Section 2, the foregoing six references are from very different fields. It is apparent that the Examiner has based the rejection under 35 U.S.C. §103(a) in view of the foregoing references on impermissible hindsight. "One cannot use hindsight reconstruction to pick and choose among isolated disclosures in the prior art to deprecate the claimed invention."<sup>32</sup> Clearly the Examiner is using Applicant's disclosure to pick and choose among isolated and unrelated disclosures, as noted above, in the prior art to obtain the claimed inventions. Therefore, Applicant respectfully asserts that the Examiner's assertion of obviousness is based on impermissible hindsight. Accordingly, Applicant respectfully requests that the Examiner's rejections of Claims 1-3 under 35 U.S.C. §103(a) in view of the foregoing references be reversed.

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<sup>31</sup> *In re Kahn*, 2006 U.S. App. LEXIS 7070 (Fed. Cir. 2006) ("the Board's underlying factual findings, including a finding of a motivation to combine, [are based on] substantial evidence.").

<sup>32</sup> *In re Fine*, 837 F.2d 1071 (Fed. Cir. 1988).

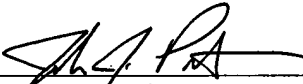
**CONCLUSION**

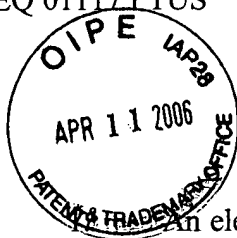
For the foregoing reasons and for other reasons clearly apparent, Applicant respectfully requests a reversal of the Examiner's rejections and full allowance of Claims 1-6.

Applicant has included a check in the amount of three hundred ten dollars (\$310.00) to cover the fee for filing this appeal brief and a fee for a one month extension of time. Applicant does not believe that any other fees are due; however, in the event that any other fees are due, the Commissioner is hereby authorized to charge any required fees due (other than issue fees), and to credit any overpayment made, in connection with the filing of this paper to Deposit Account 50-2180 of Storm LLP.

Respectfully submitted,

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**Claims Appendix**  
**37 C.F.R. § 47.37(c)(1)(viii)**

An electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts comprising:

- (a) defining a plurality of investor accounts in at least one electronic database;
- (b) transferring an initial monetary amount from each of a plurality of investors to said investment entity;
- (c) associating said initial amount from each of said plurality of investors with a respective one of said plurality of investor accounts in the at least one electronic database;
- (d) identifying the initial ownership of a patent in the at least one electronic database;
- (e) using at least one algorithm for assessing a value of the patent, and entering the assessed value of the patent in the at least one electronic database;
- (f) paying a monetary amount from said investment entity to said initial ownership of said patent upon transfer of title to a subsequent owner other than the original initial owner;
- (g) granting at least one right under the patent to said initial owner of said patent;
- (h) obtaining at least one payment from an initial user of said patent; and
- (i) allocating said at least one payment from said initial user to each respective one of said plurality of investor accounts in the at least one electronic database.

2. An electronic data processing method for use by an investment entity for allocating revenue to each respective one of a plurality of investor accounts comprising:

- (a) identify a patent covering an invention in use by at least an initial user;
- (b) identifying an initial ownership of the patent;
- (c) using at least one algorithm for assessing a value of the patent based, at least in part, on anticipated future use of the patent by the initial user and entering the assessed value of the patent in at least one electronic database;
- (d) using at least one algorithm for determining a cash flow stream containing at least one payment related to the assessed value of the patent;

- (e) paying, in at least one payment to said initial ownership, an amount related to the assessed value of the patent in the electronic database in exchange for transfer of title to said patent to a subsequent owner other than the initial ownership;
- (f) obtaining the amount paid for transfer of title from a plurality of investor accounts;
- (g) associating with each respective one of said plurality of investor accounts in the at least one electronic database the proportion of the amount paid to the initial owner that came from each respective one of said plurality of investor accounts;
- (h) granting a license to said initial user for the use of said patent from said subsequent owner in exchange for an agreement by said initial user to make at least one payment to the investment entity related to the assessed value of the patent at a specified time after the payment is made to transfer title;
- (i) collecting at least one payment from said initial user said payment being entered into the at least one electronic database; and
- (j) using at least one algorithm for allocating to each respective one of said plurality of investor accounts in the at least one electronic database a portion of said at least one payment from said initial user related to the proportion of the payment to the initial ownership from each respective one of said plurality of investor accounts.

3. An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

- (a) identifying a patent;
- (b) identifying an original ownership of the patent;
- (c) using at least one algorithm for assessing a value of the patent and entering the assessed value of the patent in at least one electronic database;
- (d) using at least one algorithm for determining a future cash flow stream related to the assessed value of the patent before the time title to the patent is acquired from the original ownership;
- (e) obtaining title to the patent for a subsequent owner in exchange for paying not more than the assessed value of the patent to the original ownership;

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**Evidence Appendix**  
**37 C.F.R. § 47.37(c)(1)(ix)**

No secondary evidence has been supplied in this case.

**Related Proceedings Appendix**  
**37 C.F.R. § 47.37(c)(1)(x)**

No related decisions rendered by a court or the Board of Patent Appeals and Interferences.